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April 21, 2008

AGENDA ITEM 3

TO: MEMBERS OF THE INVESTMENT POLICY SUBCOMMITTEE

- I. SUBJECT:** Policy Subcommittee History and Background
- II. PROGRAM:** Total Fund
- III. RECOMMENDATION:** Information
- IV. ANALYSIS:**

This agenda item provides a brief overview of the Policy Subcommittee's history and background. Over the years, the CalPERS Investment Committee has established policy for the governance, administration, and implementation of investment programs and has set policy for the Investment Office as an enterprise as well as for each of the asset classes.

The investment policies provide guidance to staff, our partners and consultants; set forth a framework for compliance; and provide for transparency and accountability. Investment policies are available on the CalPERS website at <http://www.calpers.ca.gov/index.jsp?bc=/investments/policies/home.xml>.

The Subcommittee originated in 1995, when the Investment Committee established an Ad Hoc Committee to develop a project scope, schedule and chart of key deliverables regarding establishment of written investment policies. Over a several year period, the Ad Hoc Committee, supported by a team of staff and consultants, reviewed all policies with the objective of conforming existing policy to current practices.

In early 2001, the Ad Hoc Committee presented the Investment Committee with a comprehensive Investment Policy Manual. At that time, the Investment Committee decided to permanently establish the Policy Subcommittee and charged it with the ongoing role of reviewing and recommending adoption of new

and revised policies. In 2004, a formal delegation resolution was adopted to memorialize the Subcommittee's role (Attachment 1).

In 2006, a comprehensive project began to once again update and improve upon the existing body of investment policy. The Policy Review/Delegation Project objectives are to organize and streamline investment policy to improve access, clarity and transparency for the Investment Committee, staff, external business partners and other interested parties. The attached project update presented at the June 18, 2007 Investment Committee meeting provides a detailed overview of the project. (Attachment 2)

General Subcommittee Governance

The Subcommittee is composed of a minimum of three members. The Investment Office staff, lead by the Chief Operating Investment Officer, provides support for the Subcommittee.

- The Subcommittee meets bi-monthly (February, April, June, August, October, and December)
- The Chair and Vice Chair are elected by the Subcommittee members in April
- Items acted upon are generally brought to the Investment Committee at its next regularly scheduled meeting (the following month)
- Although items are noticed for action at the first reading, the Subcommittee on occasion requests a second reading

V. STRATEGIC PLAN:

This item is not part of the Strategic Plan.

VI. RESULTS/COSTS:

Not applicable.

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